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C O N F I D E N T I A L CARACAS 002003

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STATE PASS USAID FOR DCHA/OTI - PORTER  
NSC FOR SHANNON/BARTON

E.O. 12958: DECL: 06/15/2014

TAGS: [ECON](#) [PGOV](#) [SOCI](#) [VE](#)

SUBJECT: NO PROGRESS ON POVERTY UNDER CHAVEZ - UNDP

Classified By: ECONOMIC COUNSELOR RICHARD M. SANDERS

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Summary  
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1. (SBU) The Chavez government appears to have made little progress on its alleged "flagship" issue - that of alleviating poverty, according to the United Nations Development Program (UNDP) office in Caracas. There is no mechanism in place to track the results of its various ad hoc social welfare "missions" which in any event are only a year old for the most part. Some of its programs, notably the "Bolivarian Schools" initiative, may indeed have value. Venezuela's slippage in terms of meeting the UN's Millenium Development Goals puts it in the "high priority" category. Even GOV poverty figures indicate deterioration, although the rate varies depending on what methodology is used. The UNDP has briefed President Chavez on its findings; he reportedly expressed surprise and concern over the lack of good news, but we do not expect any policy change in the near future. End summary.

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Lots of Programs, Results Hard to Track  
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2. (SBU) On June 10, econcouns met with Claudia Jimenez\_, Coordinator for Human Development at the Caracas office of United Nations Development Program (UNDP). Asked for her opinion of the range of "missions" (ad-hoc programs aimed at specific areas of social need, such as basic medical care, primary, secondary, and tertiary education, and unemployment) that the Chavez government has created, she was skeptical. Most of these projects have been mounted within the last year, and it is too soon to tell what there results are. In any event, she added, such statistics as the GOV provides tend to be descriptive of the programs' scope -- how many students graduated, etc. -- with little more information provided. For example, with regard to the GOV's basic literacy campaign, "Mision Robinson," there is no way of knowing what the real level of literacy achieved for most of its graduate is. For "Mision Barrio Adentro" ("Inside the Slums"), its medical care program using Cuban doctors, there is no monitoring of the overall health of the recipients of the services.

3. (SBU) Jimenez\_ was more positive about some of the GOV's education programs, particularly its "Bolivarian Schools" program, one of the Chavez government's first initiatives, which provides funding for certain designated schools to provide full (as opposed to half) day teaching schedules and makes school lunches available. This program was in fact a reconstitution of earlier educational initiatives of the 1960's which had been abandoned as Venezuela's economy declined and resources dried up. Other more recent initiatives, such as such as "Mission Rivas" and "Mision Sucre," high school and university scholarship programs, were more dubious. She shared our impression that for the most part they were little more than transfer payments with little or no genuine study requirements. However, she added, the GOV's own new "Bolivarian University," established in an office complex belonging to state oil company PDVSA, however, appears to be real, with classes getting underway.

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A Crisis of "High Priority"  
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4. (SBU) Asked whether the UNDP's own statistics showed any important improvements in the living conditions of Venezuelans since Chavez took office in 1998, Jimenez\_ said that the UNDP had been working directly with various ministries to obtain data regarding Venezuela's progress towards meeting the UN's "Millenium Development Goals." (These goals, first identified in 1990, call for significant progress by 2015 in a range of areas including eradicating hunger and extreme poverty, reducing infant mortality, improving maternal health, combating HIV/AIDS and malaria, and guaranteeing environmental sustainability.) The UNDP, she said, considered Venezuela to be to be a "high priority"

country, which meant that it was either moving extremely slowly towards fulfilling these goals (or indeed moving backwards). Decaying performance on poverty, nutrition, and education were Venezuela's principal weak points. The high level of income inequality was considered to be an

aggravating factor in Venezuela's poor performance.

#### ----- Not Much Better by the GOV's Numbers -----

15. (SBU) Jiminez\_ provided econcouns with a statistical summary entitled "Poverty Indicators, 2003," which had been briefed to her by Elias Eljuri, head of the GOV's National Statistical Institute (INE). INE uses two ways to calculate poverty: one simply based on purchasing power, and an alternative, basedon "unmet basic needs." By the former method, pverty had been on a slow decline from the first alf of 1998 through to the second half of 2001, when it rose again, through the first half of 2003 (the latest period for which figures are given), presumably as the economic crisis began to bite.

% Population in Poverty			% in Extreme Poverty
H1	1998	49.0	21.0
H2	1998	43.9	17.1
H1	1999	42.8	16.6
H2	1999	42.0	16.9
H1	2000	41.6	16.7
H2	2000	40.4	14.9
H1	2001	39.1	14.2
H2	2001	39.0	14.0
H1	2002	41.5	16.6
H2	2002	48.6	21.0
H1	2003	54.0	25.1

16. (SBU) By the GOV's own figures, therefore, the poverty rate in Venezuela has ended up somewhat worse than when it started when viewed in terms of income. However, according to Jiminez\_, the GOV gives more weight to measuring poverty in terms of "unmet basic needs." This looks at measures such as number of children between seven and twelve years of age who do not attend school, number of persons sharing bedrooms, adequacy of housing, number of households, the head of which has less than three years of schooling, and access to water and sewage. By this measure the situation is a bit more stable (and comes in at lower levels), but again the trend shows no improvement.

% Population in Poverty		% in Extreme Poverty
1998	28.9	10.8
1999	29.3	9.9
2000	30.1	10.5
2001	27.8	9.3
2002	31.2	13.0
2003(H1)	30.5	12.7

17. (SBU) Jiminez\_ suggested that the GOV preferred this latter series because (in addition to providing an overall lower rate), it was less sensitive to the damage done to the economy in 2002 and 2003. This was the case because some of the indicators, such as availability of plumbing and sewage lines do not change quickly over time. In Jiminez\_' view, however, the most pressing problem facing Venezuela's poor was their decreased purchasing power, which was captured by the first time series. She noted that while for most of Chavez's term in office, the minimum wage kept pace with the increase in the price of a basic basket of foods, starting in the first half of 2002, a gap opened up, and by the second half of 2003, the minimum wage was 210,000 bolivars, while the food basket cost 255,000 bolivars.

18. (SBU) It is worth noting that the Andres Bello Catholic University, which has a long-standing research program on poverty in Venezuela, using a methodology based on purchasing power, comes up with numbers that suggest an even more dramatic decay in living standards:

% Population in Poverty		% in Extreme Poverty
1998	56.5	21.4
1999	57.2	22.0
2000	57.1	21.2
2001	55.6	20.9
2002	68.5	33.2
2003	74.2	40.4

#### ----- Telling the Bad News to Hugo -----

19. (C) In early May, Antonio Molpeceres, head of the UNDP

office in Venezuela, briefed President Chavez and his "social cabinet" (Ministers of Planning, Health, Labor, Education, and Environment) on their findings. As he recounted the meeting to the Ambassador, Chavez was very attentive, and seemingly surprised to find the persistently poor performance. Cabinet members rushed to blame the problems on opposition "sabotage" of the economy in the December 2002-January 2003 general strike. However, Chavez cut them short, noting that the figures indicated deterioration which predated those events. In her discussion with econcouns, Jiminez said that her impression was that the different ministries took seriously UNDP's analysis and valued their relationship with it and United Nations system organizations generally, but she could not point to any specific course corrections that were contemplated. Molpeceres (who has departed to take up a new posting in La Paz) told the Ambassador that President Chavez simply does not understand the positive correlation between the general health of the economy and social indicators.

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Comment  
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10. (C) The decline in Venezuela's social indicators under Chavez is a continuation of a long-term decline, which his government has failed to reverse. Three of the six years 1998-2003 were marked by shrinkage in the economy. Inflation, which ran at 29.9 pct in 1998, was running at 27.1 pct in 2003. Unemployment, 11.0 pct in 1998, ran at 16.8 pct in 2003, while underemployment, which ran at 49.8 pct in 1998, ran at 52.7 in 2003. An index of basic food consumption (giving 1995 as 100) came in at 84 pct in 1998, and dropped to 75 pct for 2003. In fairness to Chavez, the general strike made 2003 an especially dismal year; 2004 is going to see a (statistically at least) important rebound. Exchange controls which keep interest rates low and money inside the country, combined with wide open fiscal policy are likely to increase the "feel good" factor. The various social welfare "missions" will continue to be relentlessly publicized, whatever their real world impact may be. But for Venezuela's millions of poor people, life is harder than it was when Chavez took office. As Chavez heads into the referendum on his tenure in office, the UNDP's briefing cannot have been be very comforting for him.

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2004CARACA02003 - CONFIDENTIAL